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Report Highlights:

Government hints at review of rice export subsidy, *Government denies move to curb grain exports*, *South Indian flour mills seek zero wheat import duty*, *India may slap penal duty on US, EU imports*, *Australian firms plan a franchisee binge*.

Includes PSD Changes: No
Includes Trade Matrix: No
Unscheduled Report
New Delhi [IN1]
[IN]

Welcome to Hot Bites from India, a weekly summary of issues of interest to the U.S. agricultural community. The report includes information that has been garnered during travel within India, reported in the local media, or offered by host country officials and agricultural analysts. Press articles are included in this report. Significant issues will be expanded upon in subsequent reports from this office.

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GOVERNMENT HINTS AT REVIEW OF RICE EXPORT SUBSIDY

The government is reviewing the export subsidies on rice with a view to make exporters more competitive of their own accord. According to a senior Food Ministry official, grain from the government stocks was earlier sold to exporters at prices at par with that distributed to families living below the poverty line. Subsequently, the prices were raised to make it almost at the level of grain distributed to families living above the poverty line. Now, as India has become a net exporter and created its own markets, a further reduction in export subsidies is planned to make exporters more competitive. The official mentioned that grain exports are continuing despite some logistical problems. (Source: Financial Express, 10/14/03)

GOVERNMENT DENIES MOVE TO CURB GRAIN EXPORTS

The government denied any move to curb grain exports this year due to depleting stocks. As of September 1, 2003, total foodgrain stocks with the government were 27.8 million tons (7.1 million tons rice and 20.7 million tons wheat), compared with 55.4 million tons (17.5 million tons rice and 37.9 million tons wheat) a year ago. "We expect procurement of rice to exceed 200 lakh (20 million) tons this season, which will ensure that our stock position is more than comfortable. At the same time, we will not resort to any distress sale of our grain in the world market, unlike in earlier years, when we were forced to export at rock bottom prices," a Food Ministry official stated. (Source: Business Line, 10/14/03)

SOUTH INDIAN FLOUR MILLS SEEK ZERO WHEAT IMPORT DUTY

The Confederation of Flour Mills of South India urged the government to permit millers to import wheat at zero import duty to tide over the current wheat shortage. Mr. Datta Raj, former President of the Karnataka Roller Flour Millers' Association said that with the wheat shortage in South India assuming alarming proportions, the open market price of wheat is rising and will cost the millers above rs. 8,600 (\$187) per metric ton. Imported wheat at zero duty would be cheaper at rs. 7,300 (\$159) per ton. With the supply of the new wheat crop still four to five months away, the industry would have to depend on cheaper alternative sources of imports to keep mills running. (Source: Business Line, 10/15/03)

INDIA MAY SLAP PENAL DUTY ON US, EU IMPORTS

The stalemate in trade talks at Cancun has perhaps thrust a new strategy on developing countries like India – countervailing duties on subsidized agricultural imports from the US and EU, if they cause injury to Indian farmers. According to current plans, as reported in the press, countervailing investigations are to be launched at the beginning of 2004, when the Peace Clause in the WTO Agreement on Agriculture expires on December 31, 2003. American soybeans and cotton, European chocolates, and fruits and vegetables are among the items that could face such countervailing action. (Source: Economic Times, 10/15/03)

Post Comment: FAS/New Delhi recently met with Indian WTO officials in the Ministries of Commerce and Agriculture and there was no mention of such a strategy. Post will continue to monitor this issue and report results as warranted.

AUSTRALIAN FIRMS PLAN A FRANCHISE BINGE

About 200 Australian companies, dealing in food, beverage, and other retail, are planning to appoint franchisees in India as part of their global expansion plan. Studies show that food services, retail chains dealing in lifestyle, healthcare, communications, and furniture, other retail formats like hypermarket and convenience stores, education, entertainment, services, and the travel sector are likely to witness a boom in franchising in India. "Given that foreign direct investment in retail trade is not permitted, franchising is an attractive way through which international brands can enter Indian markets," according to Marya Gaurav R., President of Delhi based Franchise India Holdings Ltd. (Source: Business Standard, 10/10/03)

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